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SUBJECT: SOUTHWEST SPD SPLIT ON SCHROEDER'S AGENDA 2010

1. (SBU) Summary: Many in the Social Democratic Party (SPD) in Baden-Wuerttemberg (B-W), Hesse, Rheinland-Pfalz (R-P) and Saarland are fiercely opposed to Chancellor Schroeder's Agenda 2010 reform plan. In B-W and R-P, the SPD leadership generally approves the Schroeder plan but the rank-and-file does not. In Hesse and the Saarland, SPD party leaders are determined to water down the proposed reforms. Saarland's SPD chairman Maas is in the lead in opposing Agenda 2010, grabbing it as an early campaign theme for 2004 state elections. (See also septel.) End Summary.

New Hesse SPD leader Aligns with Unions - Party Split

2. (SBU) New Hesse SPD Chairperson Andrea Ypsilanti, elected in March 2003, has vowed to resist reform proposals that would lessen the clout of Germany's strong trade unions. She has been particularly vocal in favor of maintaining Germany's generous legal protections against the dismissal of employees. She has said on national television that Agenda 2010 needs to be more socially equitable. To the annoyance of her predecessor, former Hesse Minister President and current Federal Finance Minister Hans Eichel, she has continued to emphasize these themes. (Eichel finds Ypsilanti's approach too extreme.) Together with Saarland's SPD Chairman Heiko Maas, Ypsilanti is one of the most outspoken critics among SPD state leaders of the Agenda 2010 reform plan.

3. (SBU) In a conversation with the Consulate, Ypsilanti proposed the following changes to Agenda 2010:

- Re-introduction of a wealth tax and reform of the inheritance tax. (She refers to a verdict of the constitutional court next year and expects that the inheritance tax will need to be reformed anyway.)
- A citizens' health insurance ("Buergerversicherung"). (Basic insurance for all, all must contribute, premium could be privately insured.)
- The definite withholding tax has no majority in the party. "It is dead," Ypsilanti said.
- A tax on companies that do not offer apprenticeship positions (Ausbildungsplatzabgabe). Ypsilanti thinks Schroeder will have to act on that soon.
- Changes to the reform of unemployment benefits. Ypsilanti wants to use the model worked out by the "Bertelsmann Foundation" that says unemployment benefits should be 10 percent above welfare.

4. (SBU) Ypsilanti held a joint press conference with Hesse German Trade Union Federation (DGB) chairman Stefan Koerzell on Agenda 2010 to show public support for the unions, but her views are not uniformly supported in the party. Newly-elected Hesse SPD Caucus Leader Juergen Walter has criticized the unions for being backward-looking. "It cannot be in the best interest of the unions to drive the social security system over the brink," Walter said. North Hesse party chairman Manfred Schaub, number three in the Hesse SPD, criticized Ypsilanti and other rebels in the SPD for using a membership poll (Mitgliederbegehren) to pressure the party leadership. "There is no alternative to the Agenda 2010," Schaub said. He is proposing to make the program more socially equitable and have more tax-based elements to include groups do not currently participate, such as the self-employed and public servants.

Saarland's Heiko Maas - A Mediator Among the Opponents

5. (SBU) The Saarland SPD has been more united than Hesse in its opposition to the Agenda 2010 reforms (see septel). State Chairman Heiko Maas gathered moderate opponents of Agenda 2010 presenting a paper May 4. Maas told us he expects Agenda 2010 will achieve a majority at the SPD party convention June 1, but he still hopes to make changes. He proposes a more differentiated model of unemployment benefits in favor of older employees. In addition, he would like to see the planned 2004 lowering of the top income tax delayed and replaced with accelerated tax cuts for low-to-

middle incomes. Maas also rejects the definite withholding tax and wishes to introduce more tax-based elements into the social security system to broaden its financial base. To maintain social equity, Maas would like to reintroduce the wealth tax and a reform of the inheritance tax. He suggests private elements in the pension system "systematically strengthened."

16. (SBU) Maas' political problem is that he feels strong pressure from the left, namely from former SPD chairman Oskar Lafontaine and Ottmar Schreiner, leader of the twelve "Agenda 2010 rebels" in the Bundestag. While Maas has not permitted Lafontaine to play a major political role, Maas has less influence over Schreiner, who is respected in the Saarland SPD for his thoughtful, critical views. Maas countered this threat to his authority (as party insiders describe it) by working out a six-point position paper that will be voted on a party convention May 15. The paper seeks to build a common ground with other critics of the Agenda 2010, for example, in Hesse.
B-W Leadership Surprised by Growing Opposition

17. (SBU) Baden-Wuerttemberg (B-W) SPD Chairperson Ute Vogt admitted in a recent interview that she had underestimated the growing unease in the party over Schroeder's Agenda 2010. She criticized the unions for attempting to turn the SPD into a pawn. "I almost threw my Ver.di-membership book away," Vogt said. According to Vogt, there are problems with Schroeder's merger of unemployment and welfare benefits. Unhappiness with Agenda 2010 has not resulted in a significant loss of SPD membership, however. Between January and March, 129 members left the party, not an extraordinarily high number. Vogt defended Schroeder's plan as an absolute necessity. Wolfgang Drexler, SPD caucus chief, supports her as most of the members of the SPD caucus in the B-W State Parliament do.

18. (SBU) One of the first prominent SPD members openly opposing Agenda 2010 was Rainer Bliesener, the B-W Chief of the German Trade Union Federation (DGB). Bliesener called for a special convention in B-W to discuss the reform. Bliesener criticized in particular the reduction of employment benefits and the proposed changes to German labor law. Along with Bliesener, several SPD sub-organizations in B-W with a considerable share of union members have voiced their distress at the Chancellor's plan. The SPD rank-and-file is critical of Vogt's unwavering support of Schroeder.

19. (SBU) The tensions within the B-W SPD have grown steadily in recent weeks. Members of the SPD's left wing, led by Ulrich Maurer, former State Chairman and mentor of Ute Vogt, and Hilde Mattheis, the SPD's deputy party leader, are organizing under the logo "BWL" (Baden-Wuerttemberg Left) to protest Agenda 2010. Maurer and Mattheis are also the most prominent Social Democrats thus far to sign a manifest entitled "reforms are necessary." The four-page paper explains in detail why Schroeder's proposals are not feasible.

Rheinland-Pfalz SPD stands firmly behind Agenda 2010

10. (SBU) Leadership as well as rank-and-file members of the Rheinland-Pfalz (R-P) SPD stand behind Schroeder's reform plans. Minister-President Kurt Beck, who represents the moderate wing of the SPD, has clearly spoken out in favor of Agenda 2010. According to Beck, Agenda 2010 is an absolute necessity and there is no turning back. In conversations with SPD contacts we were told that Andrea Nahles, the former national chief of the SPD youth organization JUSOS critical of the Schroeder plan, is not representative of R-P SPD. In addition, Dietmar Muscheid, the DGB chief for Rheinland-Pfalz has also taken a rather moderate position. The SPD leadership is aware of the fact that Agenda 2010 can only be a first step and that much deeper cuts will be needed in the future, particularly in the health-care and pension system.

11. (SBU) There is also agreement within the R-P SPD that some measures of Agenda 2010 have to be discussed in more depth. For example, Schroeder's proposal to limit the length of unemployment benefits for employees 55 years and older to eighteen months does not consider the fact that this segment of the population may never find work and cannot just be left out in the cold. Malu Dreyer, R-P Social Minister, admits that Germany's social welfare system needs a complete overhaul. Clinging to old measures will not help to bring the desired relief, Dreyer said. Nevertheless, the changes in the system should be socially balanced. Dreyer also criticized Schroeder for combining approval of his agenda with yet another vote of confidence. This is the third time he has resorted to this strategy and it is wearing thin, Dreyer said.

Comment

¶12. (SBU) Opposition to Agenda 2010 is strongest in the left-leaning Hesse and Saarland SPD. While Saarland SPD chairman Heiko Maas has managed to unite his party behind a critical position paper, the Hesse SPD remains split. This has partly due to with the still relatively weak leadership of Andrea Ypsilanti, but also with a traditional shift between the more left leaning south and the more moderate north (Hans Eichel's home). Maas has much to lose at home with state elections coming up in fall 2004. Saarland is the first state the SPD has a realistic chance of winning back from the CDU next year. This will only succeed if Maas can prove he is independent of the old guard. In the state, which is the most highly unionized in Germany, Maas has little choice but to oppose major points of Agenda 2010.

¶13. (SBU) In Rheinland-Pfalz, the SPD stands firmly behind the Chancellor's concept. The party leadership and grass roots members accept the overall plan. There is widespread recognition within the party that clinging to old concepts will endanger the whole social system and that there is no alternative to the Schroeder plan. In B-W, things are not as simple. Although the majority of the leadership stands behind Agenda 2010, there is a small but strong opposition toward the reform plan that has joined forces under the logo "BWL" (Baden-Wuerttemberg Left). Nevertheless, we expect B-W state leader Ute Vogt to keep the opponents of the Agenda under control. End Comment.

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